



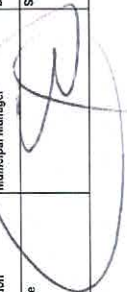
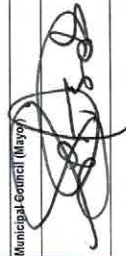
Ntabankulu Local Municipality

2024/2025
Fraud Risk Register
COUNCIL RESOLUTION EXTRACT NO:
OCM/10/24/007.212

FRAUD RISK REGISTER

Risk Number	Risk Description	Root Causes	Consequences	Risk*		Inherent Risk		Control	Control Effectiveness		Risk Owner	Control Improvement	Action Owner	Time Scale
				Impact	Probability	Rating	Rating		Percentage					
1	Road Safety and Municipal cash income. Municipal officials selling drivers and vehicle registration licenses.	1. Poor controls.	1. Financial Loss 2. Reputational Damage	Catastrophic	Critical	5	25	1. Fraud Prevention Policy. 2. MPAC Investigations 3. Licensing procedures. 4. Revenue Management Policy 5. Financial Misconduct	Weak	30%	MM	1. Conduct awareness workshops to all staff on ethics and fraud prevention. 2. Regular supervisory inspections and spot checks 3. Spot checks by Internal Audit and BTO.	Manager Internal Audit / BTO / Traffic Superintendent	31-May-25
2	Inaccurate balance sheet and reduced capacity to deliver services.	1. Poor enforcement of Asset Management Policies and Procedures. 2. Overall culture of poor stewardship.	1. Financial Loss 2. Service Delivery Compromise 3. Community Unrest	Catastrophic	Critical	5	25	1. Fraud Prevention Policy. 2. MPAC Investigations 3. Asset Management Policy. 4. SCM Policies 5. Insurance Policy for Municipal assets 6. Financial misconduct Board	Weak	30%	CFO	1. Enforce SCM and Asset Management Policies more rigorously in all areas of the municipality. 2. Conduct Assets verification bi-annually.	1. Manager-Assets 2. Manager SCM	2024/12/31 2025/06/30
3	Inaccurate balance sheet and reduced capacity to deliver services	1. Poor enforcement of Inventory Management Policies and Procedures. 2. Overall culture of poor stewardship.	1. Financial Loss 2. Administrative disturbances 3. Service Delivery Compromise	Catastrophic	Critical	5	25	1. Fraud Prevention Policy. 2. MPAC Investigations 3. Asset Management Policy. 4. SCM Policies 5. Financial misconduct Board 6. Consequosa Management	Weak	30%	CFO	1. Conduct Awareness workshops on all SCM asset Management policies 2. Enforce implementation of segregation of duties as one of Internal controls	Manager - Assets	31 Dec. 2024
4	Inaccurate performance reports individually and for the institution	1. Non-compliance with the MFMA and MSA Performance Management Guidelines 2. Neglect of the Municipal Performance Management System and its quality assurance.	1. Submission of fraudulent progress reports in various disciplines such as performance management, project management etc	Catastrophic	Critical	5	25	1. MFMA and MSA performance management guidelines 2. Performance Management Guidelines as per Municipal Systems 3. Performance Auditing and Reporting 4. Municipal PMS Policy	Weak	30%	MM	1. Enforce Organisational Performance Management Guidelines through Performance Contracts 2. Develop a culture of reviewing Portfolio of evidence (POE) by all HOD's 3. Facilitate Procurement process of electronic PMS	All Directors	2024/12/31 Quarterly
5	Incompetent and dishonest staff employed resulting in poor service delivery and increased risk of fraud.	Non vetting of staff (below Section 55) qualifications and Cvs	1. Financial Loss 2. Litigation 3. Poor Service Delivery	Catastrophic	Critical	5	25	1. Municipal Systems Act and section policy 2. HR policies (recruitment and selection) 3. Code of Conduct (MSA Schedule 2) 4. Enforce minimum competency testing for the top two levels (Municipal Manager Senior	Weak	30%	Director Corporate Services	1. 100% of managers reporting to senior managers to be vetted as per approved recruitment plan	Manager HR	31-Dec-24
6	Reducing the lifespan and full function of municipal fleet. Theft of fuel results in diminution of municipal working capital.	1. Poor enforcement of fleet management procedures. 2. Poor control over fuel and other inventories and purchases	1. Financial loss. 2. Service Delivery compromise	Catastrophic	Critical	5	25	1. Fleet Management Policy. 2. MFMA 3. Asset Management Policy 4. Fuel cards with monthly limits 5. Signed Trip Authorizations	Satisfactory	50%	CFO	1. Enforce Fleet Management and asset management policy. 2. Ensure closer and direct supervision of fleet management transactions 3. Consequence Management Implementation	Manager Supply Chain Management	31-Dec-24
7	Poor municipal Performance and Irregular Unauthorised Wasteful and Fruitless Expenditures	1. Poor market studies of qualifying service providers and correct products/services. 2. Conflict of interest. 3. Underbudgeting for expenditures including non-cash items.	1. Financial loss. 2. Service Delivery compromise. 3. Community unrest. 4. Withholding of Grants 5. Litigations 6. Negative Audit Opinion.	Catastrophic	Critical	5	25	1. Supply Chain Policies. 2. MFMA and PFPA. 3. Supply Chain Code of conduct. 4. Code of Conduct (MSA Schedule 2) 4. MPAC, Treasury and COGTA reports. 5. Approved Municipal	Satisfactory	50%	MM	1. Apply Segregation of duties 2. Monitoring the service-delivery reserve bank account, created from 30% of VAT refunds to fund non-cash items.	Manager Supply Chain Management	31-Dec-24

Cash collected and not banked	8	Theft of Cash	1. Poor supervision and lack of spot checks. 2. Employment of untrained staff. 3. Poor access control.	1. Financial loss. 2. Mistrust amongst employees. 3. Service delivery compromise. 4. Impact on performance.	Catastrophic	5	Official	5	25	1. Banking and Cash Management Policy 2. MFMA 3. Standard Operating Procedures for Revenue Section 4. Financial misconduct Board 5. Consequence Management.	Satisfactory	30%	None	CFO / Community Services Director	1. Enforce MFMA cash control guidelines 2. Enforce spot checks by both internal, BTO and traffic supervisors 3. Conduct awareness sessions on banking and cash management.	Revenue Manager	31-Dec-24
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Prepared by:	I. Sikhulu-Nqwana	Approved by:	P. T. Soubhongo
Designation	Municipal Manager	Designation	Municipal Council (Mayor)
Signature		Signature	

NTABANKULU LOCAL MUNICIPALITY

Factors used in Risk Analysis

Each risk is evaluated in terms of potential loss, likely hood of occurrence and the effectiveness of controls in place to manage the risks according to the criteria set out below

Potential Loss / Impact

Severity Ranking	Assessment	Factor
Catastrophic	Negative outcomes or missed opportunities that are of critical importance to the achievement of objectives	5
Major	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives	4
Moderate	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives	3
Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives	2
Insignificant	Negative outcomes or missed opportunities that are likely to have a relatively negligible impact on the ability to meet objectives	1

Likelihood

Likelihood category	Category definition	Factor
Almost Certain	The risk is already occurring, or is likely to occur more than once within the next 12 months	5
Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months	4
Moderate	There is an above average chance that the risk will occur at least once in the next three years	3
Unlikely	The risk occurs infrequently and is unlikely to occur within the next three years	2
Rare / Remote	The risk is conceivable but is only likely to occur in extreme circumstances	1

Perceived control effectiveness

Effectiveness category	Category definition	Factor
Excellent	Risk exposure is effectively controlled and managed 90%	90.00%
Good	Majority of risk exposure is effectively controlled and managed 70%	70.00%
Satisfactory	There is room for some improvement 50%	50.00%
Weak	Some of the risk exposure appears to be controlled, but there are major deficiencies 30%	30.00%
Unsatisfactory	Control measures are ineffective 10%	10.00%

10

30

50

70

90

Inherent risk exposure

Inherent risk exposure	Factor
Critical	>20
High	³ 15 < 20
Moderate	³ 10 < 15
Low	³ 5 < 10
Minimum	< 5

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Residual risk exposure

Residual risk exposure	Factor
Immediate Action	³ 10
Action	³ 7.5 < 10
Monitor	³ 5 < 7.5
Acceptable	³ 2.5 < 5
Excellent	< 2.5